

The complaint

Mr H has complained Lloyds Bank plc is holding him liable for a personal loan which he didn't take out.

What happened

In April 2024 after his account was blocked, Mr H got in touch with Lloyds. He learnt that a personal loan had been taken out on 4 April 2024 for £22,500. The funds from this loan had been paid into his Lloyds account then over a period of three days various transactions – both app-related and using Mr H's debit card – were carried out.

Mr H told Lloyds he'd not made these transactions and discovered he no longer had his debit card. He confirmed he'd also not taken out the loan and wanted this cancelled.

Lloyds confirmed they were continuing to hold Mr H liable for the loan.

Mr H brought his complaint to the ombudsman service.

Our investigator reviewed Mr H's testimony and evidence from Lloyds. Lloyds believed Mr H was involved in a fraud as they couldn't see how a third party could have known his online banking details to apply for the loan. They also noted that a new mobile device had been set up to use their banking app and they'd sent notification of this to Mr H's existing device. Other alerts had also been sent to Mr H as large debit card and online transactions were made.

Our investigator noted that a call had been made to Lloyds to ensure payments could be made. This call was unlikely to have been made by Mr H and Lloyds felt this was also the case. Our investigator asked Lloyds to write off interest and charges related to the loan as she wasn't convinced Mr H had taken this out himself. She, however, accepted that he must have known about what was going on.

Neither Lloyds nor Mr H agreed with this outcome. Mr H asked an ombudsman to review his complaint.

I completed a provisional decision on 20 January 2025. I agreed with our investigator's outcome but my reasoning slightly differed.

Mr H continued to disagree with the outcome. I received nothing further from Lloyds.

I now have all I need to complete my final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I've reached the same outcome as I did in my provisional decision. I'll explain why.

Where there is a dispute about what happened, I have based my decision on the balance of probabilities. In other words, on what I consider is most likely to have happened in the light of the evidence.

It's worth stating that I can choose which weight to place on the different types of evidence I review, including technical evidence, provided by financial institutions along with complainants' persuasive testimony.

When considering what is fair and reasonable, I'm required to take into account: relevant law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the relevant time.

There are two aspects to this complaint – the personal loan for £22,500 which Mr H says he didn't take out and transactions totalling £21,866 made using Mr H's debit card and open banking. I have reviewed all of the different aspects to this.

The loan application was completed online on 4 April 2024 using Mr H's genuine log on details. There's no explanation how an unknown third party could have known these without Mr H sharing them with someone he knew.

Mr H has confirmed the loan details along with the terms and conditions went into his spam folder. That's why he didn't raise this immediately with Lloyds as he says he would have done if he'd known about it. That may well be what happened but it's also convenient.

That said, I have to wonder why Lloyds considered a £22,500 loan was feasibly affordable for Mr H. The loan application was supposedly for home improvements with 36 repayments of over £750 a month. Reviewing Mr H's bank statements for the preceding 16 months, I can see his salary varied between £300-£700 a month. Mr H worked as a delivery driver and was paying monthly mortgage payments of £300 a month. At no stage did Mr H's bank balance exceed £1,000 during this period so I'm unconvinced by any affordability exercise Lloyds undertook.

The regulations which are relevant to Mr H's complaint about the transactions are the Payment Services Regulations 2017 (PSRs). These primarily require banks and financial institutions to refund customers if they didn't make or authorise payments themselves.

I don't believe Mr H made these transactions as I can see he most likely didn't have his debit card at the time and the transactions were made using an iPhone which was only linked to his account on 3 April 2024. However, I believe he was aware of what was going on and therefore authorised all of the disputed transactions.

We have evidence from Lloyds confirming that it was most likely a third party making the transactions. One of the transactions were blocked. There is a recording of the phone conversation between the third party and Lloyds. This wasn't, I think, Mr H. Lloyds also believe this is not Mr H.

I think what's most likely to have occurred is that Mr H was persuaded (potentially threatened) to allow a third party – maybe someone he knew well – to use his account to take out a loan. Mr H's motivation for agreeing to do this may well be knowing he'd get a small payment for this and being led to believe that he'd be able to claim what happened was fraud so wouldn't lose out. I can see that the disputed payments amount to £21,866 which is more than £600 less than the loan granted.

The profile of the transactions between 5 and 8 April don't match what we'd generally see if an unknown third party had access to Mr H's account. Generally, we'd see a third party try to

use all the funds immediately but in this case these all happen at a more leisurely pace.

I can also see that Mr H continued to log onto his Lloyds account, using his Samsung device, for the period 4-8 April. I believe he will have seen the loan money being paid into the account and then the large debit card transactions being made and open banking transactions being undertaken. In fact, I think one of the reasons Mr H was logging on pretty regularly was to keep an eye on what was going on.

Mr H has told us he's never had an iPhone. I see no reason to disbelieve him. Yet, there is no dispute an iPhone was linked to Mr H's account on 3 April. Authorisation to confirm this was sent to Mr H's existing mobile device. I know he's said he didn't agree to this change, but I think it must have been him for the reasons I state above.

Similarly, alerts were sent to Mr H confirming the transactions being made for £499, £4,500 and £5,500. I can't see Mr H doing anything after receiving this data.

Having considered everything, I believe Mr H was aware of the loan and the subsequent transactions, and probably benefitted from them.

Putting things right

I would normally not ask the financial institution to do anything further. However, in this case and based on what I've seen about the loan affordability, I believe it would be fair and reasonable to ask Lloyds to write off the interest and charges related to the £22,500 loan. This still leaves Mr H with a substantial debt to meet and I'm aware of his current financial difficulties. Lloyds will need to take this into account when attempting to recoup their funds.

My final decision

For the reasons given, my final decision is to instruct Lloyds Bank plc to write off the interest and charges from Mr H's loan.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 14 March 2025.

Sandra Quinn
Ombudsman